



F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.

REPORT OF THE BOARD OF DIRECTORS ON THE TWO POINTS POINT ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING OF F.I.L.A. - FABBRICA ITALIANA LAPIS ED AFFINI S.P.A. CALLED FOR OCTOBER 11, 2018 IN SINGLE CALL, DRAWN UP AS PER ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 AND ARTICLE 72 OF THE ISSUERS' REGULATION NO. 11971/99, IN ADDITION TO ANNEX 3A OF THE ISSUERS' REGULATION.

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Report approved by the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. at the meeting of August 3, 2018 and available on the website www.filagroup.it

Point 1 on the agenda of the Extraordinary Shareholders' Meeting called for October 11, 2018 in single call:

- 1. Proposal for a divisible paid-in share capital increase for a maximum amount of Euro 100,000,000, including any share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary and B shares with full rights, in the form of a rights offering to shareholders, in accordance with Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of the By-Laws. Consequent amendments to the By-Laws and resolutions thereon;**
- 2. Proposal for a divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase at sub 1. and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase at *sub 1.*, to be executed by and not beyond December 31, 2025, to facilitate exercise of the warrants assigned to managers employed by the subsidiary Pacon Holding Company, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase at *sub 1.* has been established. Consequent amendments to the By-Laws and resolutions thereon.**

Dear Shareholders,

you are called for October 11, 2018 to attend the Extraordinary Shareholders' Meeting of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A. (“**FILA**” or the “**company**”) to consider:

- (1) a divisible paid-in share capital increase for a maximum amount of Euro 100,000,000 including any share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary and FILA B shares with full rights, in the form of a rights offering to shareholders, in accordance with Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of FILA’s By-Laws (the “**share capital increase**”), consequent to the acquisition by the company - through the subsidiary Dixon Ticonderoga Company - of Pacon Holding Company (“**Pacon**”), according to the terms and conditions as detailed below;
- (2) the divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase at sub 1. and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase, to be executed by and not beyond December 31, 2025, to facilitate exercise of the warrants assigned to managers employed by the subsidiary Pacon Holding Company, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase has been established (the “**share capital increase in service of the Warrants**” and, together with the share capital increase, the “**share capital increases**”).

This report (the “**Report**”) outlines the reasons behind the share capital increase and the share capital increase in service of the warrants, in addition to the consequent amendments to the By-Laws of the company (the “**By-Laws**”), in accordance with Article 125-*ter* of Legislative Decree No. 58/98 (the “**CFA**”), in addition to Article 72 of Consob Regulation No. 11971/99 (the “**Issuers’ Regulation**”) and Annex 3 of the stated Issuers’ Regulation.

It was approved by the Board of Directors of the company on August 3, 2018 and is made available to the public, in accordance with applicable law and regulations, at the registered office, on the company website (www.filagroup.it) and also by the other means established by the applicable regulation.

1. Reasons for and use of the share capital increases

1.1 The acquisition of Pacon

As announced on June 7, 2018, FILA acquired, through the subsidiary Dixon Ticonderoga Company, 100% of the shares of Pacon, at an operating enterprise value of USD 325 million, in addition to USD 15 million of tax benefits, and therefore for total cash consideration of USD 340 million (the “**Transaction**” or the “**Acquisition**”).

Pacon is a leading schools and arts & crafts player on the US market. The acquisition will strengthen FILA’s position in the United States, forming a major pillar of its commercial strategy, as the US market - benefitting from rising birth rates and a greater government focus on the education sector - has stronger prospects than the European market. The acquisition of Pacon will provide, in addition, significant synergies related to costs and organisational, logistical and production and distribution process restructuring.

The Acquisition was completed through the merger of the vehicle FILA Acquisition Company, wholly-owned by Dixon Ticonderoga Company, with Pacon.

The Acquisition was funded through a medium/long-term bank loan (the “**New Loan**”) agreed with Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”) and UniCredit S.p.A. (“**Unicredit**”), for a total of Euro 570 million, in order to refinance the current debt and also in support of general FILA Group cash requirements.

Completion of the Acquisition is subject to a number of conditions, including antitrust authorisation from the US Federal Trade Commission, which was granted on May 29, 2018.

The share capital increase was in turn subject to completion of the Acquisition (“**Closing**”). “Closing” occurred on June 7, 2018.

Reinvestment by some of Pacon’s shareholders in the company, who are also employed managers, was stipulated as part of the Transaction - specifically: Jim Schmitz, Jim McDermott, Joan Strand, Brian Higgins and John Carlberg (the “**Pacon Managers**”), of a portion of the price received from them under the Acquisition, through the free assignment of warrants (the “**Warrants**”), assigning the right to receive one newly issued ordinary FILA share for each Warrant exercised, according to the terms described at Paragraph 3.2 below.

1.2 The share capital increases

Share capital increase

The share capital increase is proposed in order to optimise the FILA group’s financial structure following the acquisition of Pacon. The cash received from these parties shall, in fact, be used to repay in advance a portion of the New Loan. This early repayment will permit (i) an easing of financial leverage and (ii) the containment FILA group financial expenses, which otherwise would be impacted by the increased interest margins applied to the New Loan in the case in which the share capital increase is not completed within the contractually defined timeline.

The financial leverage before the share capital increase was approx. 4.8 times 2017 EBITDA and shall reduce to approx. 3.9 times 2017 EBITDA after the share capital increase.

FILA's market is highly fragmented, with significant barriers to entry in view of the highly-recognizable brands at local consumer level. Growth is therefore - as demonstrated by the FILA group's history - pursued mainly through external lines, i.e. by acquiring leading brands.

A balanced financial structure is thus key to FILA growth's strategy and the tapping into market opportunities.

In addition, the FILA Group, following the acquisition of Pacon, set out in its plan significant investment also in the short-term, in order to integrate the companies acquired over recent years, both in terms of information technology and the management of the working capital cycle, and in particular of physical inventory.

Share capital increase in service of the Warrants

The share capital increase in service of the Warrants is undertaken to facilitate the issue of new ordinary FILA shares to be assigned to Pacon managers in exercise of the Warrants.

2. Breakdown of the short and medium/long-term net financial debt

The following tables break down the short and medium/long-term statutory net financial debt of FILA and the consolidated net financial debt, as per the FILA Group half-year report at June 30, 2018 (the "**Half-Year Report**"), approved by the Board of Directors of the company on August 3, 2018.

In addition, having completed the acquisition on June 7, 2018, its effects on the composition of the statutory and consolidated short and medium/long-term net financial debt at June 30, 2018 are presented in the following tables.

FILA short and medium/long-term statutory net financial debt

<i>(in thousands of Euro)</i>		
	30/06/2018	31/12/2017
Medium/long-term financial liabilities	286,993	171,256
Medium/long-term financial instruments	-	-
Total medium/long-term financial payables	286,993	171,256
Short-term financial liabilities	5,777	26,184
Short-term financial instruments	-	-
Bank overdrafts within one year	3,000	12,428
Total short-term financial payables	8,777	38,612
Total financial liabilities	295,769	209,868
Medium/long-term loans/financial receivables	2,398	1,761
Short-term loans/financial receivables	49,344	46,032
Short-term financial assets	-	-
Cash and cash equivalents	13,777	6,996
Net financial debt	230,251	155,078

FILA short and medium/long-term consolidated Group net financial debt

<i>(in thousands of Euro)</i>		
	30/06/2018	31/12/2017
Medium/long-term financial liabilities	523,446	178,889
Medium/long-term financial instruments	50	35
Total medium/long-term financial payables	523,496	178,923
Short-term financial liabilities	116,098	81,541
Short-term financial instruments	-	-
Bank overdrafts within one year	12,593	18,133
Total short-term financial payables	128,690	99,673
Total financial liabilities	652,186	278,597
Medium/long-term loans/financial receivables	271	6
Short-term loans/financial receivables	443	352
Short-term financial assets	48	67
Cash and cash equivalents	38,766	38,558
Net financial debt	612,657	239,614

Paragraph 9 of the Report outlines, on a pro-forma basis, the potential effects of the share capital increase on the consolidated net financial debt.

3. Means for executing the share capital increases and criteria for the calculation of the share capital increase issue price

3.1 The share capital increase

The share capital increase is structured as a divisible paid-in share capital increase for a maximum amount of Euro 100,000,000, including any share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary and B shares with full rights, in the form of a rights offering to shareholders, in accordance with Article 2441, paragraphs 1, 2 and 3 of the civil code and Article 5 of the FILA By-Laws.

As per Article 5, paragraph 10 of the By-Laws, in the event of - as has occurred - a share capital increase through the issue of ordinary or B Shares: (i) the maximum number of the ordinary and B Shares to be issued must be proportional to the number of ordinary and B Shares of the share capital at the date of the relative resolution; and (ii) the ordinary and B Shares to be issued must be offered to each shareholder in relation to and in proportion to, respectively, the ordinary and B Shares held at the date of the share capital increase, noting that the B Shares may only be subscribed by shareholders already holders of B Shares; in the absence of subscription of all newly issued B Shares by the shareholders of the B Shares, not subscribed B shares automatically convert into ordinary shares in the ratio of 1 (one) ordinary share for every B share and shall be offered to other shareholders (or, in case, to third parties), in accordance with law. Therefore, where all rights offered are not taken up by the holders of B shares, the other shareholders or - where applicable - third parties, may subscribe to the new unopted shares, although only as

ordinary shares. Consequently, the proportion between ordinary shares and B shares to be issued under the share capital increase may only be defined on conclusion of the entire rights offering process.

In line with market practice, it is proposed to assign to the Board of Directors the power to establish:

- the timing for the various phases of the share capital increase, including the rights offering, in compliance with applicable statutory provisions and the final deadline established by the Shareholders' Meeting;
- the subscription price (the “**subscription price**”) for each of the new shares from the share capital increase (which in any case may not be lesser than the par value) and any portion of the subscription price to be allocated to the share premium reserve;
- the maximum number and the proportion between the new ordinary shares and the new B shares to be issued, in addition to the ratio of options applicable to each of the existing ordinary shares and B shares.

The subscription price of the new shares from the share capital increase, equal for ordinary shares and for B shares, shall be calculated taking into account, among other matters, market conditions, the listing price of company shares in the period before this calculation, the operating, earnings, equity, financial and forecast performance of FILA and/or the Group, in addition to market practice for similar transactions, applying a discount on the theoretical ex rights price (“TERP”) of the existing shares, calculated on the basis of the official Stock Exchange price on the trading day on which the subscription price shall be calculated by the board of directors or, where not available, the immediately preceding trading day. In any case, the subscription price may not be lower than the par value.

3.2 The share capital increase in service of the Warrants

The share capital increase in service of the Warrants is structured as a divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase, to be executed by and not beyond December 31, 2025, to facilitate exercise of the free warrants assigned to managers employed by Pacon, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase has been established.

Each Warrant assigns the right to subscribe to one new ordinary FILA share. The Warrants shall not be traded on an Italian or overseas regulated market and shall be exercisable until December 31, 2025 and transferable according to the terms and conditions to be indicated in the relative regulation.

The Board of Directors shall establish the number of Warrants and the number of ordinary shares to be issued as part of the share capital increase in service of the Warrants according to the following formula: the ratio between (i) the total value of the share capital increase in service of the Warrants and (ii) the unitary subscription price of the new shares issued on the basis of

the share capital increase in service of the Warrants, which will be equal to the subscription price of the share capital increase, in addition to the Warrant regulation.

The amount of USD 2,050,000 to be utilised for subscription to the share capital increase in service of the Warrants will be fully paid by the Pacon Managers to an account held by FILA and such amount will be recognised by the company to a “future share capital” reserve. In the case of exercise of the Warrants, this reserve shall be fully or partially converted to capital (according to the amount of Warrants which shall be effectively exercised); where not all of the Warrants are exercised, the relative amounts paid by the Pacon managers shall be acquired by the company as paid-in capital contributions.

4. Underwriting consortium

For the share capital increase, Mediobanca and Unicredit act respectively as Joint Global Coordinators and Joint Bookrunners (individually the “**Bank**” and jointly the “**Joint Global Coordinators**”).

On May 7, 2018, the Joint Global Coordinators signed with the company a pre-underwriting agreement stipulating the commitment - at terms and conditions in line with market practice for similar transactions - to sign an underwriting agreement (the “**Underwriting Agreement**”), in accordance with which each Bank, without any joint liability, commits to subscribe to 50% of the new shares from the share capital increase, regarding any unsubscribed shares deriving from the rights offering, for a maximum Euro 100,000,000 and specifically, for up to a maximum Euro 50,000,000 million for each Bank.

The Underwriting Agreement concerning the share capital increase shall be stipulated before publication of the prospectus approved by Commissione Nazionale per le Società e Borsa – CONSOB.

5. Other forms of placement

The share capital increase takes the form of options and therefore no private placement is provided for.

The Pacon Managers are employees of that company, which as a result of the recent acquisition is held by the company. The share capital increase in service of the Warrants therefore excludes the pre-emption right as per Article 2441, paragraph 8 of the civil code.

6. Shareholders declaring an interest in subscribing to the new shares

The company has not received any manifestation of the availability of shareholders to subscribe to the new shares from the share capital increase.

The Pacon Managers have not made any commitment to exercise the Warrants or, therefore, subscribe to the share capital increase in service of the warrants.

7. Period for the execution of the share capital increases

The share capital increase was subject to completion of the Pacon acquisition, which took place on June 7, 2018.

The timing of the share capital increase offer shall be established by motion of the Board of

Directors, in accordance with the final deadline established by the Extraordinary Shareholders' Meeting, proposed as March 31, 2019.

The share capital increase in service of the Warrants may be completed until December 31, 2025, as the deadline by which the managers of Pacon may exercise the Warrants, as per the terms and means set out by the regulation drawn up by the Board of Directors, subject to the above-stated final subscription deadline.

8. Commencement date of the new shares

The shares issued in execution of the share capital increase shall have full rights.

9. Pro-forma effects of the share capital increase on the financial and equity position of FILA; dilutive effects of the share capital increase on the unitary value of shares

9.1 Pro-forma effects of the share capital increase

The following table compares: (i) the consolidated net financial debt at June 30, 2018 and (ii) the consolidated net financial debt prepared on a pro-forma basis, as if the share capital increase had been fully subscribed (i.e. for a total amount of Euro 100,000,000) on June 30, 2018. The share capital increase was considered gross of the relative costs, as not quantifiable at the date of this Report.

	Euro (millions)		Euro (millions)
Consolidated net financial debt at June 30, 2018	613	Consolidated net financial debt at June 30, 2018	613
		Share capital increase	100
		Consolidated net financial debt at June 30, 2018 post share capital increase	513

The above table (and consequently all of the data regarding the consolidated net financial debt at June 30, 2018 and the consolidated net financial debt at June 30, 2018 post share capital increase) was drawn up for the sole purpose of retrospectively reflecting on a pro-forma basis, and consequently in a simulated manner, the significant effects of the share capital increase on the FILA group net financial position, as if the share capital increase was completed on June 30, 2018.

The table and the relative figures regarding the consolidated net financial debt at June 30, 2018 and the consolidated net financial debt at June 30, 2018 post share capital increase were recalculated by the Board of Directors of FILA according to the currently available information and, specifically, on the basis of the Half-Year Report.

Specific pro-forma information was not provided with regards to the share capital increase in service of the Warrants as of insignificant amounts.

9.2 Dilutive effects of the share capital increase on the unitary value of the shares

The share capital increase, as undertaken on the basis of options, does not have dilutive effects for shareholders who subscribe to new shares in exercise of their rights options.

As neither the Subscription Price or the number of new shares have been set, it is not yet possible to calculate or estimate the possible dilutive effect on the unitary value of the existing shares. The Board of Directors shall communicate to the market the analysis and estimates in this regard, together with the announcement of the Subscription Price and of the number of new shares to be issued, close to the launch of the offer.

With regards to the share capital increase in service of the Warrants, as the rights option is excluded as per Article 2441, paragraph 8 of the Civil Code, such shall have dilutive effects for shareholders. As the number of shares which may be subscribed in exercise of the warrants has not yet been established, it is not yet possible to establish or estimate the possible dilutive effect on the unitary value of the existing shares. The Board of Directors shall provide communication to the market in this regard together with the corresponding communications for the above indicated share capital increase.

10. Amendment to the By-Laws

In the case in which the shareholders of the company approve the share capital increase, it will be necessary to amend Article 5 of the By-Laws, as indicated below.

Existing Text	Proposed Text
Article 5 - Share capital and shares	Article 5 - Share capital and shares
5.1 The share capital amounts to Euro 37,261,143 and is divided into 41,332,477 shares, of which 37,765,969 Ordinary shares and 6,566,508 Special Class B shares ("B Shares"), all without par value.	<i>[not amended]</i>
The Extraordinary Shareholders' Meeting of October 9, 2013, among other matters, approved the increase of the divisible paid-in share capital, for a maximum total amount including share premium of Euro 7,788,750, to be reserved for the exercise of 750,000 F.I.L.A. S.p.A. Sponsor Warrants, in accordance with the terms and conditions established by the regulation approved by the Extraordinary Shareholders' Meeting at the same meeting (as amended by the Board of Directors on January 15, 2015 in accordance with Article 6.2 of the same regulation), through the issuance of a maximum of 750,000 ordinary shares without nominal value at a price of Euro 10,385; the deadline as per Art. 2439 of the Civil Code, the rights and the effectiveness of this last increase shall be regulated by the relevant motion.	<i>[not amended]</i>
	The Extraordinary Shareholders' Meeting of October 11, 2018 has approved a divisible share capital increase for a total amount of Euro 100,000,000, including share premium, to be

<p>5.2. The ordinary shares, Class B shares and the warrants are subject to dematerialisation in accordance with Articles 83-bis and subsequent of Legislative Decree No. 58/1998.</p> <p>5.3. The assignment of profits and/or retained earnings to employees of the company or the subsidiaries, through the issue of shares in accordance with the first paragraph of Article 2349 of the Civil Code is permitted.</p> <p>5.4. The Extraordinary Shareholders' Meeting of April 27, 2017 has resolved to increase the share</p>	<p>executed by and not beyond March 31, 2019, through the issue of ordinary shares and B shares with full rights, in the form of a rights offering to shareholders as per Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of the By-Laws (the "share capital increase"). The Extraordinary Shareholders' Meeting has granted to the Board of Directors the power to establish: (i) the timing for the various phases of the share capital increase, including the rights offering, in compliance with applicable statutory provisions and the final deadline established by the Shareholders' Meeting; (ii) the subscription price for each of the new shares (which in any case may not be lower than the par value) and any portion of the subscription price to be allocated to the share premium reserve; and (iii) the maximum number and the proportion between the new ordinary shares and the new B shares to be issued, in addition to the ratio of options applicable to each of the existing ordinary shares and B shares.</p> <p>The Extraordinary Shareholders' Meeting on October 11, 2018 approved a divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase, to be executed by and not beyond December 31, 2025, to facilitate exercise of the warrants assigned to managers employed by the subsidiary Pacon Holding Company, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase has been established.</p> <p><i>[not amended]</i></p> <p><i>[not amended]</i></p>
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<p>capital, pursuant to Article 2349, for a nominal value of Euro 90,314.00, through the issue of 100,181 new ordinary shares, without nominal value, to be released through the use of a corresponding part of the existing retained earnings and to be allocated free of charge to employees of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. and its subsidiaries, to the beneficiaries of the extraordinary bonus approved by the ordinary shareholders' meeting of April 27, 2017, which should be carried out by the final deadline of December 31, 2017.</p>	<p><i>[not amended]</i></p>
<p>5.5. The Directors are granted the faculty for five years from April 27, 2017 to increase the share capital in service of implementing the "2017-2019 Performance Shares Plan" for a maximum amount of Euro 86,000 (to be fully allocated to the share capital) with the issue of a maximum 94,765 ordinary FILA shares, without indication of nominal value, with the same features as those in circulation and normal rights, through the assignment of a corresponding maximum amount of profits and/or retained earnings in accordance with Article 2349 of the Civil Code, at the same terms, conditions and means established by the Plan.</p>	<p><i>[not amended]</i></p>
<p>5.6. The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.</p>	<p><i>[not amended]</i></p>
<p>5.7. Class B shares have the same rights as ordinary shares, except exclusively for the following:</p> <ul style="list-style-type: none"> (a) every Class B share has the right to three votes in accordance with Article 127-sexies of Legislative Decree No. 58/1998 at all shareholders' meetings of the company, in compliance with any limits established by law; (b) they are automatically converted into ordinary shares at the ratio of one ordinary share for every Class B share (without the need for approval at a Special Class B Shareholders' Meeting, nor by the shareholders of the Company) in the event of (i) sale to parties who are not already owners of Class B shares, except in the case where the transferee is a holding company, controlled by or subject to common control with the transferor and, on the understanding that, in this case, if the transferee loses the status of a holding company, controlled by or subject to 	<p><i>[not amended]</i></p>

common control with the transferor, all the Class B shares of the holder will be automatically converted into ordinary shares at the ratio of one ordinary share for every Class B share and (ii) change of control of the person holding the Class B shares, where the holding company means the party who, under applicable law, is obliged to provide information about major holdings (the "Ultimate Parent") and this, except for cases where this change of control takes place (1) not by *inter vivos* transaction; or (2) *inter vivos* in favour of parties who are successors in title of the Ultimate Parent and/or in favour of a Company or other entities directly or indirectly controlled by the Ultimate Parent or its direct successors in title or where they themselves are the beneficiaries, specifying that the change from exclusive control to joint control with third parties acting jointly with the Ultimate Parent will not constitute a change in control for the purposes of this section 5.4 (b);

(c) they may be converted, in whole or in part, in one or more tranches, into ordinary shares at the simple request of the holder, to be sent to the Chairman of the Board of Directors of the company and in copy to the Chairman of the Board of Statutory Auditors, and always on the basis of one ordinary share for every Class B share.

Conversion is to be confirmed by the Board of Directors through a motion passed by statutory majority. In the event that the Board of Directors fails to do so, the conversion is to be confirmed by the Board of Statutory Auditors through a motion passed by a majority of those present.

Ordinary shares may not be converted into B Shares.

5.8. The Company may decide to issue Class B shares to a limited extent in cases of (a) a share capital increase in accordance with Art. 2442 of the Civil Code, i.e. by means of new contributions without exclusion or limitation of option rights, in any case in combination with ordinary shares in accordance with the following art. 5.7; and (b) a merger or spin-off.

5.9. In the event of a share capital increase to be undertaken through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares - including ordinary shares or Class B shares - held at the moment of share capital increase. In

[not amended]

[not amended]

[not amended]

<p>such cases, the approval of the relevant resolution by a Special Class B Shareholder’s Meeting is excluded in accordance with Art. 2376 of the Civil Code.</p> <p>5.10. In the event of a share capital increase through the issue of ordinary or B Shares: (i) the number of the ordinary and B Shares to be issued must be proportional to the number of ordinary and B Shares of the share capital at the date of the relative resolution; and (ii) the ordinary and B Shares to be issued must be offered to each shareholder in relation to and in proportion to, respectively, the ordinary and B Shares held at the date of the share capital increase, noting that the B Shares may only be subscribed by shareholders already holders of B Shares; in the absence of subscription of the newly issued B Shares by the shareholders of the B Shares, the B Shares will automatically convert into ordinary shares based on one share for every B Share and will be offered to the other shareholders in accordance with applicable legal provisions.</p> <p>5.11. Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.</p>	<p>[not amended]</p> <p>[not amended]</p>
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11. Right to withdrawal

The amendments to the By-Laws indicated at paragraph 10 above do not include the right to withdrawal as per Article 2437 of the Civil Code.

12. Motion proposed to the Extraordinary Shareholders’ Meeting

“The Extraordinary Shareholders’ Meeting of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., having reviewed the Report of the Board of Directors,

APPROVES

- I. *a divisible paid-in share capital increase for a maximum amount of Euro 100,000,000, including any share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary and B shares with full rights, in the form of a rights offering to all shareholders, in accordance with Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of the FILA By-Laws (the “share capital increase”).*
- II. *the assignment to the Board of Directors of the power to establish, with regards to the share capital increase:*

- a. *the timing for the various phases of the share capital increase, including the rights offering, in compliance with applicable statutory provisions and the final deadline established by the Shareholders' Meeting;*
 - b. *the subscription price for each of the new shares to be issued (which in any case may not be lower than the par value) and any portion of the subscription price to be allocated to the share premium reserve;*
 - c. *the maximum number and the proportion between the new ordinary shares and the new B shares to be issued, in addition to the ratio of options applicable to each of the existing ordinary shares and B shares;*
- III. *the inclusion in Article 5, paragraph 1, of the By-Laws of the following new section concerning the share capital increase:*
- “The Extraordinary Shareholders' Meeting of October 11, 2018 has approved a divisible share capital increase for a total amount of Euro 100,000,000, including share premium, to be executed by and not beyond March 31, 2019, through the issue of ordinary shares and B shares with full rights, in the form of a rights offering to shareholders as per Article 2441, paragraphs 1, 2 and 3 of the Civil Code and Article 5 of the By-Laws (the “share capital increase”). The Extraordinary Shareholders' Meeting has granted to the Board of Directors the power to establish: (i) the timing for the various phases of the share capital increase, including the rights offering, in compliance with applicable statutory provisions and the final deadline established by the Shareholders' Meeting; (ii) the subscription price for each of the new shares (which in any case may not be lower than the par value) and any portion of the subscription price to be allocated to the share premium reserve; and (iii) the maximum number and the proportion between the new ordinary shares and the new B shares to be issued, in addition to the ratio of options applicable to each of the existing ordinary shares and B shares”;*
- IV. *the noting and possible ratification of the issue and free assignment to Jim Schmitz, Jim McDermott, Joan Strand, Brian Higgins and John Carlberg, managers employed by Pacon Holding Company, of warrants (the “Warrants”), which will assign the right to receive one newly issued ordinary FILA share for each warrant exercised;*
- V. *a divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase, to be executed by and not beyond December 31, 2025, to facilitate exercise of the warrants, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase has been established (the “share capital increase in service of the Warrants” and, together with the share capital increase, the “share capital increases”);*
- VI. *the assignment to the Board of Directors of the power to establish the number of warrants and the number of ordinary shares to be issued as part of the share capital increase in service of the Warrants according to the following formula: the ratio between (i) the total value of the share capital increase in service of the Warrants and (ii) the unitary subscription price of the share capital increase in service of the Warrants, which will be equal to the subscription price of the share capital increase, in addition to - where applicable - any other power required to implement that resolved and undertake any requirement under the applicable rules and, however, to define any aspect considered beneficial in relation to the issue in question including the preparation of the relative regulation;*

VII. *the inclusion in Article 5, paragraph 1, of the By-Laws of the following additional new section concerning the share capital increase in service of the Warrants:*

“The Extraordinary Shareholders’ Meeting on October 11, 2018 approved a divisible paid-in share capital increase for a maximum USD 2,050,000, to be converted into Euro at the exchange rate on the calculation date by the Board of Directors of the unitary subscription price of the share capital increase and, however, of not greater than Euro 2,500,000, including any share premium and at a unitary subscription price equal to that to be determined by the Board of Directors for the divisible share capital increase, to be executed by and not beyond December 31, 2025, to facilitate exercise of the warrants assigned to managers employed by the subsidiary Pacon Holding Company, and therefore with exclusion of the pre-emption right as per Article 2441, paragraph 8 of the Civil Code, to be executed through the issue of a number of ordinary shares to be established by the Board of Directors once the subscription price for the share capital increase has been established”;

VIII. *the assignment to the Board of Directors in the persons of its Chairman and Chief Executive Officer, individually, the power to execute the motions of the Extraordinary Shareholders’ Meeting, including, for example purposes only, the following powers: to prepare and present any document, in addition to carrying out any formalities, necessary, prior, instrumental, related, consequent, useful or beneficial, to ensure the prompt execution of the above motions and of the share capital increases, the rights offering of the new shares, in addition to the share capital increase and the admission of the shares from the share capital increases to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.; to prepare and present to the competent authorities any question, application, document or statement and complete any other formality necessary to obtain the required authorisations, without exclusions or limitations; to make any non-substantial change to the By-Laws or to the motions of the Extraordinary Shareholders’ Meeting necessary or beneficial for filing at the Companies Registration Office and/ or in relation to requests made by the competent authorities, in addition to undertaking any activity related to the publication of the results of the share capital increases”.*

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Pero, September 10, 2018

The Chairman of the Board
of Directors